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Committee on Commodities
Ad hoc Review Meeting on Bauxite
Geneva, 13 May 1991
Agenda items 3 and 4

DISCUSSION OF ISSUES FOR IMPROVED PRODUCER-CONSUMER CO-OPERATION

and

FOLLOW-UP ACTION

Dialogue with consumers: Issues for discussion by bauxite producing and consuming countries

International Bauxite Association
(Secretariat paper)

At the request of the International Bauxite Association and as agreed during the Meeting, the attached paper is being made available to the Ad Hoc Review Meeting on Bauxite.

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INTERNATIONAL BAUXITE ASSOCIATION
ASSOCIATION INTERNATIONALE DE LA BAUXITE

IBA/EB/L/15/91
May 1991
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EXECUTIVE BOARD
FIFTIETH SESSION

6 - 9 May 1991
Kingston, Jamaica

DIALOGUE WITH CONSUMERS: ISSUES FOR DISCUSSION BY BAUXITE PRODUCING AND CONSUMING COUNTRIES

(revised)

(Secretariat Paper)

IBA/EB/L/15/91 MAY 1991

DIALOGUE WITH CONSUMERS: ISSUES FOR DISCUSSION WITH BAUXITE PRODUCING AND CONSUMING COUNTRIES

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IBA/EB/L/15/91 MAY 1991

DIALOGUE WITH CONSUMERS: ISSUES FOR DISCUSSION BY BAUXITE PRODUCING AND CONSUMING COUNTRIES

(Secretariat Paper)

BACKGROUND

As part of the preparation for the convening of a second UNCTAD Producers and Consumers Preparatory Meeting on Bauxite, IBA organized with the assistance of UNCTAD, a Bauxite Producers' meeting at the Headquarters of the Association in Kingston, Jamaica, on May 7, 1990.

The convening of the Producers' meeting was in compliance with the Executive Board's decision at its forty-fifth session in Conakry, Guinea, that the Bauxite Producers' meeting be held a day before the opening of the forty-seventh session of the Executive Board on May 8, 1990, (para. 15, IBA/EB/XLIX/02/90).

The resolution adopted by the Bauxite Producers identified certain broad issues which the producers felt should form the basis of discussions with consumers. The Secretary-General of the IBA was requested to transmit the resolution to

the Secretary-General of UNCTAD with a request to convene a review meeting of Government experts and to consult consuming countries in preparation for such a meeting.

UNCTAD convened two meetings in September 1990 - a meeting of bauxite producing countries (September 10) and a meeting of bauxite producing and consuming countries (September 28). The Secretariat attended the second meeting and submitted a report thereon. Apart from Japan, which expressed some reservation, all the countries present were in favour of creating a forum for dialogue between producing and consuming countries and agreed to hold an ad hoc review meeting in May 1991. (See Report on Mission to UNCTAD, Geneva, to attend "Informal Consultation on Bauxite between Producing and Consuming Countries", September 28, 1990.)

At its seventeenth session held in November 1990, the Council of Ministers "took note of the steps taken towards the Producers/Consumers dialogue and requested the Secretariat to submit to the next Executive Board session for study in May 1991 detailed issues which would be beneficial to our countries and could be submitted for discussion by producers and consumers". (See para. 23, IBA/COM/XVII/06/90). In compliance with the

Council's request, the Secretariat has prepared in detail a list of issues for consideration by the Executive Board at its May 1991 session.

By letter dated January 9, 1991, Member Countries were invited to assist in the drafting of this detailed list of issues. The Secretariat acknowledges the input of several Member Countries in the preparation of this paper.

As instructed by the Executive Board the present paper, IBA/EB/L/15/91, is a revision of the earlier paper IBA/EB/L/10/91.

PRELIMINARY MATTERS

i) Institutional arrangements

The Executive Board will recall that the Technical Committee on dialogue between producers and consumers of bauxite which met in Conakry, Guinea in November 1989 "discussed two types of institutional arrangements, one of which could serve as the forum for the implementation of issues which both Producers and Consumers might adopt.

These two types were:

a) A Study Group, an international commodity body similar to the Lead-zinc Study Group, with its own Secretariat. This will be an independent body from UNCTAD;

b) A Committee, within UNCTAD similar to the Committee on Tungsten and which will be serviced by the UNCTAD Secretariat.

The Technical Committee adopted the second type of institutional arrangements, that is, a Committee to be set up within UNCTAD. This type of arrangement was likely to meet the acceptance of the Consumers and more importantly the committee would be eligible for funds from the Common Fund. A further advantage was that the Committee would be serviced by personnel from the UNCTAD Secretariat, thus avoiding the creation of another organisation on bauxite.

It was noted that the Committee's work would be open to all Member Countries of UNCTAD, unlike the Study Group which was limited only to countries which have ratified the Group's terms of reference.

The Technical Committee further noted however that the setting up of the committee within UNCTAD as a first step of

cooperation between Producers and Consumers, would not preclude Producers from asking in future for the establishment of a Bauxite Study Group, if that was deemed necessary" (see pp 2/3 IBA/EB/XLV/11/89, Report of the Technical Committee on its work held in November 1989 in Conakry, Guinea on Dialogue between Producers and Consumers of Bauxite: UNCTAD Preparatory Meeting).

No decision has been taken by the Executive Board or Council of Ministers on the type of institutional arrangement that should be adopted by Producers.

ii) Eligibility Criteria for Access to the Common Fund

The eligibility criteria for access to the Common Fund is of interest to Member Countries.

For an international commodity body to be eligible for financial support from the Fund, it must:

1) be established on an intergovernmental basis, with membership open to all States Members of the United National or any of its Specialised Agencies, or the International Atomic Energy Agency;

2) be concerned on a continuing basis with the trade, production and consumption aspects of the commodity in question;

3) comprise producers and consumers which shall represent an adequate share of exports and of imports of the commodity concerned;

4) be in a position to adopt a suitable method for ensuring the proper discharge of any technical or other responsibilities arising from its association in the activities of the Second Account.

iii) Rationale for proceeding towards a forum for dialogue between Producers and Consumers of bauxite

From the perspective of the bauxite producers, the rationale for proceeding towards a forum for dialogue between Producers and Consumers of bauxite has to be seen in terms of net benefits derivable by them. There are two major benefits.

An obvious possible benefit is the potential to secure financial resources from the Common Fund. Access to the Common Fund for buffer stocking or similar arrangements is not

contemplated rather the funding of projects in producer countries and regions is envisaged.

The second benefit takes the form of information flows and direct contact with officials of producing and consuming countries. Through information flows and official contact some of the perceived problems of producers may be addressed and possibly solved.

On the cost side are the budgetary requirements of the particular type of forum adopted by the participants. At the level of a Committee within UNCTAD these costs are negligible. At the other extreme are the possible costs of a body such as a Study Group (an ICB if access to the Common Fund is contemplated with its own Secretariat.

PROPOSED LIST OF ISSUES FOR DISCUSSION BY BAUXITE PRODUCING AND CONSUMING COUNTRIES

In the light of discussion by the Executive Board and the explicit submission by the Australian delegation the list of issues proposed has been amended in terms of content, length and focus. The revised list is as follows:

a) Exchange of Information

Taking account of the wealth of statistical data which exists through the work of the various aluminium associations. consultants and the IBA itself, heavy emphasis should not be placed on data collection, per se, but on exchanging information on current and future developments in the bauxite/alumina/aluminium industry. A major focus should be on current and projected mine/refinery/smelter capacity increases/reductions. The objective is to minimise the prospect of supply and demand imbalances to the disadvantage of producers and consumers.

b) Market Transparency

Discussion should focus on the current and future supply/demand balances in bauxite, alumina, aluminium and the relationship between the bauxite/alumina/aluminium markets. The factors affecting the price of aluminium on the LME should be addressed. The significance of various market developments including recycling, tariffs and other restrictions on the international trade in bauxite, alumina, aluminium should be discussed. Discussion should also focus on developments in the markets for critical inputs such as caustic soda, energy, carbon and shipping.

c) Promotion of Consumption

The IBA producers note the increase in value adding already taking place in Member Countries as a result of market factors. However, it is felt that there is benefit to be derived from the promotion of increased value-added in bauxite producing countries. Thus, it is proposed that studies of end-uses and possible fields for expansion of consumption and production in the bauxite/alumina/aluminium industry including non-metallurgical end-uses of bauxite and alumina be undertaken. Information should be exchanged to identify ways and means by which production and consumption could be expanded. Such ways and means should include identification of sources of finance for the funding of market studies in producing countries.

d) Exchange of Information on New and Available Technologies

This issue should include discussion of ways and means to ensure that information about existing and new technologies in the bauxite/alumina/aluminium industry is disseminated.

e) Research and Development

There is considerable overlap between this general issue of Research and Development (R&D) and the issue of the environment. R&D efforts continue not only in the obvious area of cost reduction in the fields of bauxite, alumina and aluminium but in areas such as pollution control, reafforestation and land reclamation. Discussion on the issues of R&D cum the environment in the productive stages of aluminium smelting, alumina refining and bauxite mining can centre around the following information:

Smelting

R&D efforts continue in the field of cost reduction through lower cost of energy required for production of metal. The main thrust of R&D work has been to explore i) reducing electricity consumption during the electrolytic process, ii) reducing heat loss from the pots to maintain pot temperature and iii) attaining a higher degree of automation in pot operation where bath composition is strictly controlled.

On the environmental front, emission of toxic gases from the pots (fluorine, carbon dioxide, carbon monoxide etc.) has been a principal area of concern and research. Pot hooding, fluorine absorption by feed alumina and wet/dry scrubbing to control

emissions have been some of the main areas of concentration in this field.

Another area of concern has been the pollution caused in the carbon plant, alumina dusting, and disposal of waste pot lining which continues to be an area of active R&D work today.

Alumina Refining

R&D in alumina centres around the quality of alumina in terms of chemical composition including volatile contents and physical characteristics such as grainsize, "fines" content, "flow" characteristics, dustiness and α alumina content. Since each of these properties reflects on the quality of alumina, strict and improved quality control is the main R&D concern.

Towards this end, R&D activities are centred on improved calcination methods, improved calciner design, grainsize control and reducing alumina dust.

In sand separation, more effective settling/washing methods and in the area of precipitation, the effects of sodium oxalate, its isolation and removal from the process circuit, effects of flocculants and other additive chemicals on the process to improve precipitation are the main areas of R&D work.

Bauxite Mining

R&D in mining focuses on cost reduction through monitoring of fuel consumption of heavy earth-moving equipment, maintenance of better haulage way, optimum use of explosives, dust and noise control in operation, optimization of spare parts inventory.

Land reclamation and afforestation after mining activity are other areas of R&D activity.

f) Human Resources Development

This issue should include discussion of ways and means to improve the capabilities of the human resources engaged in the bauxite/alumina/aluminium industry. Specifically, consideration could be given to implementing, under the sponsorship of the United Nations with the possible assistance of the IBA, training seminars and workshops dealing with economic, financial, legal and technical matters relating to the bauxite, alumina, aluminium industry.

In addition, discussion should focus on the collection and dissemination of information including funding, institutions, and programmes for manpower training.

g) Environment

Environmental issues that could be discussed are detailed below:

In bauxite mining:

- Land reclamation
- Water control (rain/underground water)
- Dust control, noise control
- Infrastructural and operational impacts on surroundings
- Resettlement of persons/communities occupying bauxite lands.

In refining:

- Dust control in bauxite handling (stockpile)
- Disposal of red mud
- Waste liquid and caustic spillage
- Alumina dust in calcination
- Infrastructure and operational impact.

In smelting:

- Emission from pots - toxic gases such as F, CO2, CO etc.
- Carbon area - coaltar, pitch and other carbon dust
- Alumina dust - from potroom area

- Waste (carbon) anode lining. Disposal of this lining in environmentally satisfactory ways
- Health hazard to persons in carbon area and potroom area
- Infrastructure impact on areas surrounding the smelter.

h) Aluminium consumption and health

This issue involves monitoring, reviewing and disseminating information among producers and consumers on matters concerning aluminium consumption and health. In this regard, the broadest definition of aluminium consumption is being used; aluminium consumption includes cases such as the use of aluminium compounds in the purification of water and as a fire retardant.

RECOMMENDATION

It is recommended that the detailed issues as decided by the Executive Board be submitted to UNCTAD for discussion by bauxite producing and consuming countries.

IBA/EB/L/15/91

May 1991

REFERENCES

IBA/EB/XLII/8/88	Report on proposed UNCTAD Preparatory Meeting on Bauxite
IBA/EB/XLIV/06/89	Dialogue between Producers and Consumers: The UNCTAD Preparatory Meeting on Bauxite - The Main Issues and the Status of Discussion on these Issues
IBA/EB/XLV/11/89	Technical Committee Report on Proposed UNCTAD Preparatory Meeting on Bauxite
IBA/BPC/03/90 IBA/EB/XLVII/13/90	Report on the Meeting of Bauxite Producing Countries

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